

FIRST BOOK

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

FIRST BOOK
FINANCIAL STATEMENTS
(AUDITED)
DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of First Book
Washington, D.C.

We have audited the accompanying statements of First Book (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Book as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organizations 2018 financial statements, and our report dated April 30, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 16 and 17 is presented for purposes of additional analysis of the financial statements rather than to present the financial position, results of operations, and cash flows of the organization, and it is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Potomac, Maryland
June 25, 2020

FIRST BOOK
STATEMENTS OF FINANCIAL POSITION
(AUDITED)
DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 3,040,229	\$ 7,655,268
Accounts receivable, net of allowance of \$6,620 and \$21,954, respectively	2,192,837	1,947,522
Prepaid expenses	236,274	201,321
Investments	25,851	41,550
Inventory		
Donated books and other tangible goods	34,593,089	35,534,662
Purchased books and other tangible goods	2,537,889	2,331,376
	42,626,169	47,711,699
<u>TOTAL CURRENT ASSETS</u>		
 <u>PROPERTY AND EQUIPMENT</u>		
Furniture and equipment	269,308	290,806
Software	29,772	22,622
	299,080	313,428
Less accumulated depreciation and amortization	(141,670)	(201,265)
	157,410	112,163
 <u>TOTAL ASSETS</u>	\$ 42,783,579	\$ 47,823,862

The accompanying notes are an integral part of the financial statements.

FIRST BOOK

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
(AUDITED)

DECEMBER 31, 2019 AND 2018

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
<u>CURRENT LIABILITIES</u>		
Current maturities of long-term debt	\$ 420,973	\$ 490,768
Accounts payable	3,820,415	2,687,519
Pension payable	300,632	286,483
Accrued expenses	<u>180,032</u>	<u>181,293</u>
<u>TOTAL CURRENT LIABILITIES</u>	4,722,052	3,646,063
<u>LONG-TERM DEBT, less current maturities</u>	<u>-</u>	<u>465,935</u>
<u>TOTAL LONG-TERM LIABILITIES</u>	<u>-</u>	<u>465,935</u>
	4,722,052	4,111,998
<u>NET ASSETS</u>		
Without restrictions	35,925,473	37,422,733
With restrictions	<u>2,136,054</u>	<u>6,289,131</u>
<u>TOTAL NET ASSETS</u>	<u>38,061,527</u>	<u>43,711,864</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 42,783,579</u>	<u>\$ 47,823,862</u>

The accompanying notes are an integral part of the financial statements.

FIRST BOOK
STATEMENTS OF ACTIVITIES
(AUDITED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018
	Without Restrictions	With Restrictions	Total	Total
<u>SUPPORT AND REVENUE</u>				
Contributed goods and services	\$ 69,786,281	\$ -	\$ 69,786,281	\$ 68,700,083
Contributions	4,703,297	21,038,296	25,741,593	27,613,121
Investment return	9,118	-	9,118	1,290
Other income (expense)	7,302	-	7,302	31,452
	74,505,998	21,038,296	95,544,294	96,345,946
<u>NET ASSETS RELEASED FROM RESTRICTIONS</u>	25,191,373	(25,191,373)	-	-
TOTAL SUPPORT AND REVENUE	99,697,371	(4,153,077)	95,544,294	96,345,946
<u>EXPENSES</u>				
Program services	97,409,296	-	97,409,296	91,112,318
Management and general	2,395,290	-	2,395,290	2,692,920
Fundraising	1,390,045	-	1,390,045	1,208,815
	101,194,631	-	101,194,631	95,014,053
CHANGE IN NET ASSETS	(1,497,260)	(4,153,077)	(5,650,337)	1,331,893
<u>NET ASSETS - BEGINNING OF YEAR</u>	37,422,733	6,289,131	43,711,864	42,379,971
<u>NET ASSETS - END OF YEAR</u>	\$ 35,925,473	\$ 2,136,054	\$ 38,061,527	\$ 43,711,864

The accompanying notes are an integral part of the financial statements.

FIRST BOOK

STATEMENTS OF CASH FLOWS

(AUDITED)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (5,650,337)	\$ 1,331,893
Adjustment to reconcile net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	47,482	42,200
Bad debt (recoveries)	66,015	22,351
Net realized/unrealized (gain) loss on investments	(1,958)	1,301
Contributed investments	(164,186)	(35,575)
Donated books	941,573	451,488
Changes in assets and liabilities:		
(Increase) Decrease in assets:		
Accounts receivable	(311,330)	(199,096)
Prepaid expenses	(34,953)	(37,252)
Purchased books and other tangible goods	(206,513)	746,941
Increase (Decrease) in liabilities:		
Accounts payable	1,132,896	155,251
Pension payable	14,149	11,036
Accrued expenses	(1,261)	(49,834)
<u>Net Cash Provided By (Used In) Operating Activities</u>	<u>(4,168,423)</u>	<u>2,440,704</u>
Cash Flows From Investing Activities:		
Proceeds from sales of investments	181,843	43,227
Purchases of property and equipment	(92,729)	(18,781)
<u>Net Cash Provided By (Used In) Investing Activities</u>	<u>89,114</u>	<u>24,446</u>
Cash Flows From Financing Activities:		
(Payments of) and Proceeds from long-term debt	(535,730)	(510,235)
<u>Net Cash Provided By (Used In) Financing Activities</u>	<u>(535,730)</u>	<u>(510,235)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,615,039)	1,954,915
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>7,655,268</u>	<u>5,700,353</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 3,040,229</u>	<u>\$ 7,655,268</u>
Cash paid for interest	43,805	69,299

The accompanying notes are an integral part of the consolidated financial statements.

FIRST BOOK

NOTES TO FINANCIAL STATEMENTS
(AUDITED)

DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

First Book (the Organization) was organized as a District of Columbia (DC) Nonprofit Organization in 1992 to provide children from low-income families the opportunity to read and own their first new books. This is done through establishing a growing and unique network of eligible formal and informal educators across the U.S. who are given access to all of First Book's resources once registered with the Organization.

B. Income Taxes

The Organization has been determined to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is classified as a public charity and not a private foundation, therefore, contributions made to the Organization are tax deductible by the donors.

The Organization follows guidance of the Financial Accounting Standards Board Accounting Standards Codification 740-10, *Accounting for Uncertainty in Income Taxes* which clarifies the accounting and recognition and measurement of the benefits of tax positions in the financial statements, including those of non-profit organizations. Tax positions must meet a recognition threshold of more-likely-than-not for the benefit of those tax positions to be recognized in the financial statements.

The Organization analyzes tax positions taken, including those related to the requirements set forth in IRC Section 501(c) to qualify as a tax –exempt organization, activities performed by volunteers, board members, the reporting of unrelated business income, and its status as a tax-exempt organization under District of Columbia statute. The Organization does not know of any tax benefits arising from uncertain tax positions and there was no effect on the Organization's financial position or changes in net assets as a result of analyzing its tax position. The Organization's returns remain open for three years for federal and state examination.

C. Basis of Accounting

The Organization prepares its financial statements using the accrual method of accounting. Revenue, other than contributions, is recognized when earned and expense when the obligation is incurred.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

FIRST BOOK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2019 AND 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents

Cash includes currency on hand, as well as demand deposits with banks. Cash equivalents are stated at cost, which approximates fair value, and consist of institutional money market funds or bank deposits. Cash equivalents held by long-term investment managers are classified as investments.

F. Accounts Receivable, Accounts Payable and Other Liabilities

The carrying amounts of these accounts approximates fair value due to the short-term maturity of these instruments. Receivables are evaluated and written off on an ongoing basis against an allowance that is periodically adjusted to provide for estimated bad debts on outstanding receivables based on historical experience.

G. Inventory

Purchased inventory is stated at the lower of cost or market and donated inventory is stated at estimated fair value. Revenue from donated books and other goods are recognized at the time of donation. Expense is recognized at the time of distribution.

H. Contributions

Contributions of goods (non-cash) and services (in-kind) are booked at their estimated fair value on the date of contribution. The Organization records book contributions at fair value using discounted wholesale publisher list values. The Organization received the following contributed goods and services during the years ended December 31;

	<u>2019</u>	<u>2018</u>
Non-cash contributions of goods	\$ 69,729,353	\$ 68,575,147
In-kind contributions of services	<u>56,928</u>	<u>124,936</u>
Total contributed goods and services	<u>\$ 69,786,281</u>	<u>\$ 68,700,083</u>

Contributions (cash) are recognized on the date received and booked at their fair value. Support that is restricted by the donor is reported as an increase in net assets with restrictions, as applicable. Amounts are reclassified to net assets without restrictions once restrictions expire or donor restriction has been satisfied.

I. Program Services

The Organization provides access to new books and educational resources for disadvantaged children through programs and schools throughout the United States.

J. Administrative and General Services

Administrative and general service expenditures include expenses necessary to provide for the management of staff, facilities and the financial controls of the Organization.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Functional Allocation of Expenses

The costs of providing various program and supporting services have been summarized on a functional basis and allocated in the proportion benefited among the program and supporting services in the statement of activities.

L. Public Relations and Marketing Costs

The Organization's policy is to expense as incurred the costs associated with promoting community relations, public understanding and awareness of its programs. The Organization incurred \$561,145 in 2019 and \$453,774 in 2018 of such costs that are combined with consulting expenses in the statement of functional expenses.

M. Prior-year comparative totals

The financial statements include certain 2018 summarized comparative information in total but not by net asset class. This information is not presented in enough detail to constitute a complete presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, this information should be read in conjunction with the 2018 financial statements from which the summarized information was derived.

N. Recent Accounting Pronouncement ASU 2019-06, ASU 2019-03

In March and May 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2019-03 and 2019-06 (ASU 2019-03 and 06), Not-for-Profit Entities (Topic 958). ASU 2019-03 simplifies the holding of collections in not-for-profits while 2019-06 provides for the simplification of dealing with goodwill. The amendments are effective for years beginning after December 15, 2019 and May of 2019.

The Organization adopted ASU 2019-03 and 2019-06 as of and for the year ended December 31, 2019. The Organization holds no collections, and there was no reclassification necessary for the adoption of 2019-06.

NOTE 2 CONCENTRATIONS AND RISKS

A. Credit Risk

The Organization maintains demand deposits and money market funds at financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. Government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. The failure of an underlying institution could result in financial loss to the Organization, however, the Organization has not experienced losses on these accounts in the past, and management believes the risk of loss, if any, to be minimal.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2019 AND 2018

NOTE 2 **CONCENTRATIONS AND RISKS (CONTINUED)**

B. Concentration

One corporate donor contributed 69% of the Organization's non-cash book donations in 2019. The same donor contributed 63% of all non-cash book donations in 2018. This donor has a long-term relationship with the Organization and management does not anticipate a change in this relationship.

NOTE 3 **PREPAID EXPENSES**

Prepaid expenses represent contracts that provide economic benefit beyond the current year-end.

NOTE 4 **FAIR VALUE MEASUREMENTS AND INVESTMENTS**

The Organization uses three levels to measure fair value. The definition of each input is described below:

Level 1 – Inputs are valued at quoted prices in active markets that are accessible by the Organization at the measurement date for identical assets and liabilities.

Level 2 – Inputs that are observable are valued, either directly or indirectly with prices that may be based upon quoted prices for identical or comparable securities in active markets or inputs not quoted on active markets but corroborated by market data.

Level 3 – Inputs that are unobservable are valued using comparable securities when little or no market data is available.

Sweep options are valued at closing prices reported by the fund sponsor from an actively traded exchange and represent the cash equivalents.

Mutual funds are valued at daily closing prices as reported by the fund. All funds are open-ended funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds are deemed actively traded.

Corporate stocks are valued at closing prices reported on the active market on which the individual securities are traded.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2019 AND 2018

NOTE 4 **FAIR VALUE MEASUREMENTS AND INVESTMENTS (CONTINUED)**

The following is a summary of the fair values of investments, which are measured on a recurring basis at December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Sweep Options	\$ 1,315	\$ -	\$ -	\$ 1,315
Mutual Funds	<u>24,536</u>	<u>-</u>	<u>-</u>	<u>24,536</u>
	<u>\$ 25,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,851</u>

The following is a summary of the fair values of investments, which are measured on a recurring basis at December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Sweep Options	\$ 905	\$ -	\$ -	\$ 905
Corporate Stock	1,899	-	-	1,899
Mutual Funds	<u>38,746</u>	<u>-</u>	<u>-</u>	<u>38,746</u>
	<u>\$ 41,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,550</u>

NOTE 5 **ACCOUNTS RECEIVABLE**

Accounts receivable consist of amounts owed to the Organization for program related purchases and contributions. The Organization provides for probable losses on accounts receivable using the allowance method. The allowance is determined based on historical collection experience. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off.

Accounts receivable consisted of the following at December 31;

	<u>2019</u>	<u>2018</u>
Contributions	\$ 1,555,668	\$ 1,443,558
Marketplace receivables	391,902	384,350
Other	<u>251,887</u>	<u>141,568</u>
	2,199,457	1,969,476
Less allowance for doubtful accounts	<u>6,620</u>	<u>21,954</u>
	<u>\$ 2,192,837</u>	<u>\$ 1,947,522</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2019 AND 2018

NOTE 6 **PROPERTY AND EQUIPMENT**

Property and equipment purchases of \$1,500, or greater, are recorded at cost, while donated assets are recorded at fair value on the date of donation. Depreciation and amortization are calculated using the straight-line method over 5 years, the estimated useful life of the property and equipment.

Depreciation and amortization expense for the year ended December 31, 2019 was \$47,482 and \$42,200 for 2018.

Maintenance and repairs are charged and allocated to the functional expenses when incurred. When property and equipment are sold or disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in the general and administrative costs.

NOTE 7 **ACCRUED EXPENSES**

Accrued expenses consisted of the following at December 31;

	<u>2019</u>	<u>2018</u>
Vacation expenses	\$ 174,437	\$ 167,834
Grant fees, employee benefits and interest	<u>5,595</u>	<u>13,459</u>
	<u>\$ 180,032</u>	<u>\$ 181,293</u>

NOTE 8 **RETIREMENT PLANS**

The Organization sponsors a defined contribution 401(k) and profit share plan. The plan covers all full-time employees, not considered leased employees, who have completed one year of service, are employed on the last day of the year, and have completed 1,000 hours of service. The Organization, on behalf of each eligible participant, according to employee class, makes contributions to the plan. Pension expense for the year ended December 31, 2019 was \$347,837 and \$334,227 for 2018, and is included in payroll taxes and employee benefits. Participants become 50% vested in employer contributions after the completion of two years of employment and 100% vested after the completion of the third year of employment.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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DECEMBER 31, 2019 AND 2018

NOTE 9 **LONG-TERM DEBT**

On December 27, 2017, the Organization amended its October 2015 loan agreement with the NFF to convert its working capital loan to a term loan. At December 31, 2019, the outstanding balance and current maturity was \$420,973 (\$956,703 at December 31, 2018). On February 1, 2018, the loan was due in 33 installments of \$48,332, including interest at 6.0% per annum, and matures on October 1, 2020. The loan is secured by all the assets of the Organization and requires that the Organization maintain a debt service coverage ratio of 1.2 to 1. The Organization was granted a covenant waiver from NFF for the fiscal years 2018 and 2019.

NOTE 10 **NET ASSET CLASSES**

A. **Net assets without restrictions:**

Net assets so designated include those whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designations and those contributions whose restrictions are met in the current fiscal year. Net assets designated as non-cash without restriction represents the fair value of donated inventory held at year end.

B. **Net assets with restrictions:**

Net assets so designated include those whose use is donor restricted by specific time or purpose limitations.

NOTE 11 **RELATED PARTY**

The Organization lends support to a Canadian affiliate, First Book/Le Premiere Livre (LPL), which provides books to children in need throughout Canada. LPL is a registered charity under paragraph 149(1)(f) of the Income Tax Act in Canada, and operates as a separate entity to undertake activities that may or may not be consistent with all the requirements of Section 501(c)(3) of the United States Internal Revenue Code governing certain tax-exempt entities in the United States. LPL maintains a separate Board of Directors, reflecting majority representation by independent, Canadian-based board members, with two of the Organization's board members on the LPL board.

LPL was invoiced by and reimbursed the Organization for direct expenses of \$256,582 in 2019 and \$267,705 in 2018. As of December 31, 2019, the Organization's balance sheet reflected a receivable from LPL of \$232,859. In 2020, the receivable was partially paid in the first quarter leaving a balance of \$174,808 that is expected to be paid in 2020. In 2019, the Organization owed LPL \$750 that was paid in the first quarter of 2020. The Organization transferred donated books with an estimated fair value of \$1.1 million in 2019 and \$2.9 million in 2018 to LPL in support of its mission.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(AUDITED)

DECEMBER 31, 2019 AND 2018

NOTE 12 COMMITMENTS & CONTINGENCIES

Office Lease

The Organization amended its original office space lease from January 28, 2000 on November 30, 2018. In addition to extending the maturity date through July 31, 2021 the Organization also increased its square footage to 15,696.

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year as of December 31, 2019 for each of the next two years are:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 622,021
2021	<u>369,117</u>
Total minimum future rental payments	<u>\$ 991,138</u>

NOTE 13 LIQUIDITY AND AVAILABILITY

The following reflects the management's financial assets as of the statement of financial position date, reduced by the amounts not available for general use because of restrictions:

Financial assets, at December 31, 2019	\$ 5,258,917
Less:	
Restricted by donor for time or purpose	2,136,054
Amount for six months of operating expenses	950,000
Amount for technology expenditures	75,000
Amount for miscellaneous expenditures	<u>500,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,597,863</u>

Management invests excess cash in money market funds to earn interest but minimize loss potential.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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NOTE 14 **SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through June 25, 2020, the date through which the financial statements are available to be issued.

The Organization may be adversely affected by health epidemics including the recent coronavirus outbreak. In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to several countries, including the United States (U.S.).

On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. Several states in the U.S., including the District of Columbia, where the Organization is headquartered, have declared a state of emergency.

Potential impacts to the Organization include disruptions or restrictions on employees' ability to work. COVID-19 could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for the Organization's services and donations. The foregoing could harm the operations and the Organization may not be able to anticipate all the ways in which health epidemics such as COVID-19 could adversely influence the operations. Although the Organization is continuing to monitor and assess the effects of the COVID-19 pandemic on its operations, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

On April 21, 2020, the Organization received \$1,486,900 from the Paycheck Protection Program, which is a forgivable loan by the United States Small Business Administration. The Organization expects the loan to be forgiven.

SUPPLEMENTARY INFORMATION

FIRST BOOK

SCHEDULE OF FUNCTIONAL EXPENSES

(AUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u> <u>Expenses</u>
Wages	\$ 4,742,374	\$ 1,221,458	\$ 883,358	\$ 6,847,190
Employee benefits and taxes	1,039,044	271,877	196,621	1,507,542
Consulting	1,459,265	168,575	72,463	1,700,303
Professional fees	24,147	72,442	-	96,589
Contract labor	14,582	14,582	-	29,164
Equipment and technology	387,773	101,127	72,331	561,231
Rent	400,771	119,079	86,118	605,968
Travel and lodging	170,825	44,060	31,864	246,749
Meetings and conferences	52,280	13,484	9,752	75,516
Telephone and utilities	105,999	27,340	19,772	153,111
Bank charges	534,255	34,791	-	569,046
Fees, licenses and permits	-	9,019	-	9,019
Dues and subscriptions	23,031	69,093	-	92,124
Office supplies	38,120	9,832	7,110	55,062
Printing and publications	12,924	3,333	2,411	18,668
Program supplies	92,143	-	-	92,143
Insurance	15,845	47,533	-	63,378
Depreciation and amortization	-	47,482	-	47,482
Bad debt	-	66,015	-	66,015
Interest	-	43,805	-	43,805
Miscellaneous	-	2,118	-	2,118
Subgrants	78,700	-	-	78,700
Donated books	70,506,740	-	-	70,506,740
Books purchased	13,250,642	-	-	13,250,642
Postage and shipping	2,440,319	8,245	8,245	2,456,809
Warehouse and fulfillment	2,019,517	-	-	2,019,517
<u>TOTAL FUNCTIONAL</u>				
<u>EXPENSES</u>	<u>\$ 97,409,296</u>	<u>\$ 2,395,290</u>	<u>\$ 1,390,045</u>	<u>\$ 101,194,631</u>

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FIRST BOOK

SCHEDULE OF FUNCTIONAL EXPENSES
(AUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u> <u>Expenses</u>
Wages	\$ 4,489,020	\$ 1,320,166	\$ 785,383	\$ 6,594,569
Employee benefits and taxes	946,413	277,948	165,378	1,389,739
Consulting	1,288,812	125,140	53,999	1,467,951
Professional fees	47,819	143,456	-	191,275
Contract labor	-	2,285	-	2,285
Equipment and technology	339,935	101,313	59,401	500,649
Rent	407,407	119,649	71,192	598,248
Travel and lodging	162,576	47,746	28,409	238,731
Meetings and conferences	47,212	13,865	8,250	69,327
Telephone and utilities	111,662	32,794	19,512	163,968
Bank charges	400,013	62,427	-	462,440
Fees, licenses and permits	256,011	6,808	-	262,819
Dues and subscriptions	26,995	80,984	-	107,979
Office supplies	32,010	9,401	5,594	47,005
Printing and publications	21,254	6,242	3,714	31,210
Program supplies	101,383	-	-	101,383
Insurance	17,151	51,453	-	68,604
Depreciation and amortization	-	42,200	-	42,200
Bad debt	-	22,351	-	22,351
Interest	-	69,299	-	69,299
Miscellaneous	-	57,446	-	57,446
Donated books	68,860,519	-	-	68,860,519
Books purchased	10,090,571	-	-	10,090,571
Postage and shipping	1,934,444	7,982	7,983	1,950,409
Warehouse and fulfillment	1,623,076	-	-	1,623,076
<u>TOTAL FUNCTIONAL</u>				
<u>EXPENSES</u>	<u>\$ 91,204,283</u>	<u>\$ 2,600,955</u>	<u>\$ 1,208,815</u>	<u>\$ 95,014,053</u>

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